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Attorney for Debtors

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF ARIZONA

In re:

ELIAS Y FREIJ and
OBDULIA M FREIJ,

Debtors.

No. 4:12-bk-10829-EWH

(Chapter 11)

DEBTORS' FIRST PLAN OF
REORGANIZATION DATED
February 11, 2013

Elias Y. Freij and Obdulia M. Freij, (hereinafter "Debtors"), hereby submit this Plan of Reorganization in accordance with 11 U.S.C. §1121(a).

I. DEFINITIONS

As utilized in this Plan of Reorganization (hereinafter "Plan") and in the Disclosure Statement (hereinafter "Disclosure Statement") which accompanies this Plan of Reorganization, the following definitions apply to the following terms:

1. "Adequate information" means information that would enable a hypothetical reasonable investor typical of holders of claims or interest of the Debtors' estate, to make an informed judgment about the Debtors' Plan of Reorganization.

2. "Allowed and Approved Claim" shall mean a timely filed Proof of Claim pursuant to an Order from the Court setting a bar date to which that claim should be filed and no objection to the claim having been filed. If an objection to a claim is filed, said claim will be allowed to the extent ordered by the Court.

1 3. "Bankruptcy Code" shall mean the Bankruptcy Code as set forth in Title 11 of the United
2 States Code.

3 4. "Bankruptcy Court" shall mean the United States Bankruptcy Court for the District of Arizona.

4 5. "Confirmation of the Plan" shall mean the entry of an order by the Bankruptcy Court
5 confirming the Plan or Reorganization in accordance with §1129 of the Bankruptcy Code.

6 6. "Consummation of the Plan" means the accomplishment of all things required or provided for
7 under the terms of the Plan.

8 7. "Court" shall mean the United States Bankruptcy Court for the District of Arizona.

9 8. "Creditors" shall mean all persons holding claims for secured and unsecured obligations,
10 liabilities, demands or claims of any nature whatsoever against the Debtor arising at any time prior to
11 confirmation of the Plan and administrative creditors.

12 9. "Debtors" shall mean the petitioners in the above-captioned Bankruptcy case.

13 10. "Disclosure Statement" shall mean this Disclosure Statement (hereinafter "Disclosure
14 Statement") filed in this case approved, after notice and a hearing by the Court as being in conformity
15 with §1125 of the Bankruptcy Code.

16 11. "Disposable Income" that amount of income to be contributed by debtors for a period of 60
17 months and paid to creditors on allowed claims of creditor on a pro rata basis. The amount of disposable
18 income will be reduced by any allowed administrative fees allowed by this Court.

19 12. "Effect of Discharge" 11 U.S.C. 1141 d(1) Except as otherwise provided in this subsection,
20 in the plan, or in the order confirming the plan, the confirmation of a plan- (A) Discharges the debtor
21 from any debts that arose before the date of such confirmation, and any debt of a kind specified in
22 section 502(g), 502(h), or 502(I) of this title. (2) A discharge under this chapter does not discharge a
23 debtor who is an individual from any debt excepted from discharge under section 523 of this title.

24 13. "Effective Date" shall mean the later of (a) the first business day following the **60th** day after
25 entry of the Court of an order confirming this Plan, or (b) the first business day after such order has
26 become final and unappealable; provided however, no appeal of said order is pending; provided further,
27 the Debtor may waive the condition that no appeal of the order of confirmation be pending by a writing
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1 duly executed by the Debtor and filed with the Court on or before the date which but for the pendency
2 of appeal would become the effective date of the Plan, and in the event that said condition is timely
3 waived by the Debtor, the Plan shall become effective as provided herein notwithstanding the pendency
4 on said date of an appeal or appeals; in the event that said condition is not timely waived, the Plan shall
5 become effective on the first business day after an appeal is no longer pending.

6 14. "Petition" means the original Chapter 11 Petition filed by the Debtors.

7 15. "Plan" shall mean the Plan of Reorganization accompanying the Disclosure Statement as it
8 may be amended, modified and/or supplemented pursuant to which the Debtors propose payment in
9 whole or in part of creditors' claims.

10 16. "Plan distribution date" shall be a date that ends with the first full calendar quarter after the
11 date that the Chapter 11 Plan is confirmed by the Court, which the Debtors project to be June 30, 2013.

12 17. All other terms not specifically defined by this Disclosure Statement shall have the meaning
13 as designated in §101 of the Bankruptcy Code or, if not contained therein, their ordinary meaning.

14 II. CLASSES OF CLAIMS

15 Administrative Claims.

16 These claims consist of the expenses of administration of the estate including attorney's fees for
17 Debtors' counsel and any unpaid fees to the U.S. Trustee. The Debtors estimate these costs and expenses
18 may be in excess of \$20,000.00.

19 Tax Claims.

20 As reflected in the original schedules filed by the Debtors, Debtors estimated tax claims in the
21 amount of \$0.00. This does not include any amounts that may be due for ad valorem claims which are
22 secured against real property, if any.

23 Secured Claims.

24 As reflected in the original schedules filed by the Debtors, Debtors estimated secured claims in
25 the amount of \$1,018,560.00.

26 Unsecured Claims.

27 As reflected in the schedules filed by the Debtors, Debtors estimated unsecured claims in the
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1 amount of \$96,636.83 which does not include any deficiency amounts for secured creditors.

2 Domestic Support Claims.

3 As reflected in the schedules filed by the Debtors, there are no support orders against the Debtors.

4 **III. TREATMENT OF CLAIMS NOT IMPAIRED UNDER THE PLAN**

5 Classes 1 and 12 are not impaired under the Plan in that the Plan does not alter the legal or
6 contractual rights to which the holders of such claims are entitled and/or the Bankruptcy Code permits
7 payment over an extended period of time and/or the holder of the claim has agreed to a different
8 treatment.

9 **IV. TREATMENT OF IMPAIRED CLAIMS UNDER THE PLAN**

10 Classes 2 through 11 are impaired under the Plan in that the Plan does alter the legal or
11 contractual rights to which the holders of such claims are entitled and/or the Bankruptcy Code permits
12 payments over an extended period of time and/or the holder of the claims has agreed to a different
13 treatment.

14 **V. CLASSES OF CLAIMS**

15 *Classification and Treatment of Claims and Interests*

16 1. *Claim Amounts:* Because certain claims against the Debtor may be unknown or of
17 undetermined amounts, the amounts of claims specified in this Disclosure Statement reflect only the
18 Debtor's best estimate at this time of the amount due. In addition, the amounts of the claims specified
19 in this Disclosure Statement do not include, for example, claims arising from the rejection of certain
20 executory contracts and other contingent or unliquidated claims arising against the debtor.

21 2. *Effective Date of the Plan:* The "Effective Date" of the Plan is important in determining
22 when performance of many of the Debtor's obligations under the Plan is due. The Effective Date is
23 defined in the Plan as the first business day following the later of the following day;

24 (I) the date on which the Order confirming the Plan (the "Confirmation Order") becomes
25 final and non-appealable with no appeal then pending; or

26 (ii) 60 days after the date of the Confirmation Order for unsecured claims; and

27 (iii) 30 days after the date of the Confirmation Order for secured claims.
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1 3. *Classification:* The Plan divides claims against the Debtor, into multiple separate classes
2 that the Debtor asserts are in accordance with the Bankruptcy Code. Unless otherwise expressly stated
3 in the Plan, distributions to holders of allowed claims are in full satisfaction of their allowed claims.
4 All claims against the Debtor arising prior to confirmation will be discharged by performance of the Plan
5 on the Effective Date to the extent that such claims are dischargeable under the Bankruptcy Code Section
6 1141(d).

7 The Plan provides for 12 classes of claims to be paid or administered in the following manner:

8 5.1 Class 1 - Administrative Claims

9 These claims are for the expenses of administration of the estate, including attorney fees for
10 Debtors' counsel in the approximate sum of \$20,000.00 and unpaid fees to the U.S. Trustee, if any.
11 Debtors believe, at the time that the Debtors' Chapter 11 Plan is confirmed, that there will be an
12 administrative expense claim in the approximate amount of \$20,000.00. This claim shall be paid in
13 cash, or in the amounts allowed by the Court upon the Plan distribution date unless otherwise agreed to
14 between the Debtors and the administrative creditor. **(This class is not impaired.)**

15 5.2 Class 2 - Priority Claims of Governmental Units

16 A. Classification: Class 2 claims consists of all allowed claims of the United States
17 Internal Revenue Service ("IRS") and/or State of Arizona, Department of Revenue ("ADOR") and/or
18 the Arizona Department of Economic Security ("ADES"), City of Tucson or other government agency
19 which are entitled to priority pursuant to Section 507(a)(8) of the Bankruptcy Code except ad valorem
20 taxes. Debtors believe no claims exist in this class.

21 B. Impairment: Class 2 is impaired.

22 C. Treatment: In the event there are determined to be allowed Class 2 claims, each
23 holder of a Class 2 allowed claim shall retain its claim, in accordance with Section 1129 of the
24 Bankruptcy Code. The claim shall bear simple interest at a fixed rate equal to that rate which would be
25 required to be paid as of the Effective Date under Section 6621 and/or 6622 of the Internal Revenue
26 Code, or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax
27 note a value as of the Effective Date equal to the principal amount of such claim. The allowed claim
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1 shall be payable in equal monthly installments of principal, along with accrued interest, in deferred cash
2 payments over a period not to exceed five years from the date of petition. The first payment shall
3 commence on the first day of the month immediately following the month of the Effective Date. The
4 claim is subject to prepayment at any time without penalty or premium and shall have such other terms
5 as are required by law.

6 5.3 Class 3 - Secured Ad Valorem Real Property Tax Claims

7 A. Classification: Class 3 shall consist of pre-petition allowed Ad Valorem Real
8 Property Tax Claims which are secured by liens on real property. Debtors are aware of Proofs of Claim
9 filed by Pima County in the amount of \$332.11 and estimated amounts of \$1,964.00.

10 B. Impairment: Class 3 is impaired.

11 C. Treatment: In the event there are determined to be allowed Class 3 claims, each
12 holder of a Class 3 allowed claim shall retain its lien having an aggregate principal amount sufficient
13 to satisfy, in accordance with Section 1129 of the Bankruptcy Code, the allowed claim. Such claim shall
14 bear simple interest at a statutory rate of 16% per annum required to be paid as of the Effective Date,
15 or such other interest rate as the Bankruptcy Court determines is sufficient to confer upon the tax claim
16 a value as of the Effective Date equal to the principal amount of such claim charged by the taxing
17 authority, or the statutory rate of interest. Payments shall be made in equal monthly installments of
18 principal, along with accrued interest, in deferred cash payments over a period not to exceed five years
19 from date of petition. The claim is subject to prepayment at any time without penalty or premium and
20 shall have such other terms as are required by law.

21 5.4 Class 4 - Secured Claim of GMAC Mortgage, LLC("GMAC")

22 A. Classification: Class 4 consists of the allowed secured claim of GMAC to the
23 extent of the value of the secured creditor's interest in the Debtors' interest in the real property located
24 at 2710 W. Calle Del Tigre, Tucson, AZ 85746. This claim is evidenced by a promissory note and deed
25 of trust. Debtors are aware of Proof of Claim filed by GMAC in the amount of \$58,591.24. Debtors
26 believe the claim is fully secured..

27 B. Impairment: Class 4 is impaired.
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1 C. Treatment: Debtors and secured creditor have stipulated to a value of \$58,591.24.

2 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH GMAC AS
3 TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
4 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
5 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
6 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
7 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
8 be the lesser of value of the creditor's interest in the Debtors' interest in the property as determined
9 under § 506, or the allowed amount of the creditor's claim. Debtors and secured creditor have stipulated
10 to a value of \$58,591.24. The Debtors propose to limit the Class 4 creditor's secured claim to
11 \$58,591.24 or the current balance as of the Effective Date and to treat the balance of its claim, if any,
12 as an unsecured deficiency claim and treat and pay it as a Class 10 unsecured creditor.

13 The allowed claim of the Class 4 creditor shall be paid, assuming no 1111(b) election is made
14 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
15 modified as follows:

16 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan
17 at the rate of four percent (4.00 %) per annum, or the rate on the existing note, whichever is less. The

18 2. The note shall be payable in equal monthly installments of principal and interest
19 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
20 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
21 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding
22 principal balance of the note and all accrued and unpaid interest thereon shall be due and payable in full.
23 The final payment shall be made either from proceeds of the sale or refinancing of the property or
24 contributions of the owners of the property at the time the final payment is due. Tax and insurance
25 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

26 3. The note of the Class 4 creditor shall continue to be secured by its first position deed
27 of trust on the property but the note and any obligation due the Class 4 creditor, which is secured by the
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1 above deed of trust, shall continue to be non-recourse to the Debtors. Any security for payment of the
2 allowed claim which GMAC had at the petition date other than the deed of trust above described which
3 encumbers the property GMAC shall retain post-confirmation.

4 4. The Debtors and the Class 4 creditor shall agree to execute such modifications to
5 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
6 treatment for this creditor.

7 5. Any difference between current market value and obligation due lender shall be treated
8 as a Class 10 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

9 5.5 Class 5 - Secured Claim of Nationstar Mortgage LLC ("Nationstar")

10 A. Classification: Class 5 consists of the allowed secured claim of Nationstar to the
11 extent of the value of the secured creditor's interest in the Debtors' interest in the real property located
12 at 1468 E. Wedwick Street, Tucson, AZ 85706. This claim is evidenced by a promissory note and deed
13 of trust. Debtors are aware of a proof of claim filed in this class in the amount of \$94,596.98. The
14 Debtors believe the claim may not be fully secured.

15 B. Impairment: Class 5 is impaired.

16 C. Treatment: Debtors and secured creditor have stipulated to a value of \$58,000.00.

17 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH
18 NATIONSTAR AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL
19 SUPERCEDE THE TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a
20 secured creditor has a secured claim to the extent of the creditor's interest in the Debtor's interest in the
21 collateral and an unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election,
22 and, if eligible, elects to have its claim treated as fully secured. The allowed amount of the creditor's
23 secured claim will be the lesser of value of the creditor's interest in the Debtors' interest in the property
24 as determined under § 506, or the allowed amount of the creditor's claim. Debtors and secured creditor
25 have stipulated to a value of \$58,000.00. The Debtors propose to limit the Class 5 creditor's secured
26 claim to \$58,000.00 and to treat the balance of its claim, if any, as an unsecured deficiency claim and
27 treat and pay it as a Class 10 unsecured creditor. The Debtor and the Class 5 creditor have agreed as to
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1 the amount of the Class 5 creditor's allowed secured claim.

2 The allowed claim of the Class 5 creditor shall be paid, assuming no 1111(b) election is made
3 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
4 modified as follows:

5 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan
6 at the rate of four percent (4.00 %) per annum, or the rate on the existing note, whichever is less. The
7 Class 5 creditor is not entitled to interest on its allowed secured claim from the Petition date to the
8 Confirmation Date as the current market value of the real property is less than the amount of Nationstar's
9 claim.

10 2. The note shall be payable in equal monthly installments of principal and interest
11 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
12 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
13 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding
14 principal balance of the note and all accrued and unpaid interest thereon shall be due and payable in full.
15 The final payment shall be made either from proceeds of the sale or refinancing of the property or
16 contributions of the owners of the property at the time the final payment is due. Tax and insurance
17 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

18 3. The note of the Class 5 creditor shall continue to be secured by its first position deed
19 of trust on the property but the note and any obligation due the Class 5 creditor, which is secured by the
20 above deed of trust, shall continue to be non-recourse to the Debtors. Any security for payment of the
21 allowed claim which Nationstar had at the petition date other than the deed of trust above described
22 which encumbers the property Nationstar shall retain post-confirmation.

23 4. The Debtors and the Class 5 creditor shall agree to execute such modifications to
24 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
25 treatment for this creditor.

26 5. Any difference between current market value and obligation due lender if any shall
27 be treated as a Class 10 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable
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1 income.

2 5.6 Class 6 - Secured Claim of Deutsche Bank National Trust Company, as Trustee for Argent
3 Securities Inc., Asset-Backed Pass-Through Certificates, Series 2005-W3 (“Deutsche”)

4 A. Classification: Class 6 consists of the allowed secured claim of Deutsche to the
5 extent of the value of the secured creditor’s interest in the Debtors’ interest in the real property located
6 at 5120 E. Alberta Drive, Tucson, AZ 85711. This claim is evidenced by a promissory note and deed
7 of trust. Debtors are aware of a proof of claim filed in this class in the amount of \$228,653.80. The
8 Debtors believe the claim may not be fully secured.

9 B. Impairment: Class 6 is impaired.

10 C. Treatment: The Parties have Stipulated to the following treatment:

11 1. Deutsche Bank shall have a secured claim in the amount of \$180,000.00 (the “Secured
12 Claim”) amortized over forty (40) years at 4.75% interest per annum with a balloon payment for the
13 remaining balance due under the Secured Claim upon the original maturity date of September 1, 2035.

14 2. Deutsche Bank shall have an unsecured claim for the amount owing on the Note
15 above the Secured Claim plus Deutsche Bank’s attorneys’ fees and costs (the “Unsecured Claim”).
16 Deutsche Bank shall receive, in full and final satisfaction of its Unsecured Claim, through its pro rata
17 share of (disposable income paid pro rata) to general unsecured creditors.

18 3. Debtors shall tender regular monthly principal and interest payments in the sum of
19 \$838.36 to Deutsche Bank for the Secured Claim commencing November 1, 2012, and continuing until
20 the original maturity date, September 1, 2035, when all such outstanding amounts under the Secured
21 Claim are to be paid in full.

22 4. In addition to Principal and Interest payments, Debtors shall tender monthly escrow
23 payments to Deutsche Bank for real property taxes and real property hazard insurance advanced by
24 Deutsche Bank. This amount is subject to change pursuant to the terms of the Subject Loan.

25 5. To the extent that Deutsche has made post-petition escrow advances for real property
26 taxes or real property hazard insurance, Debtors shall cure said amounts on or before the Effective Date
27 of the Plan.

1 5.7 Class 7 - Secured Claim of Colonial Savings, F.A. (“Colonial”)

2 A. Classification: Class 7 consists of the allowed secured claim of Colonial to the
3 extent of the value of the secured creditor’s interest in the Debtors’ interest in the real property located
4 at 3707 W. Exton Lane, Tucson, AZ 85746. This claim is evidenced by a promissory note and deed of
5 trust. Debtors are aware of a proof of claim filed in this class in the amount of \$89,869.54. The Debtors
6 believe the claim is not fully secured.

7 B. Impairment: Class 7 is impaired.

8 C. Treatment: Debtors and secured creditor have stipulated to a value of \$74,500.00.

9 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH COLONIAL
10 AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
11 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
12 secured claim to the extent of the creditor’s interest in the Debtor’s interest in the collateral and an
13 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
14 elects to have its claim treated as fully secured. The allowed amount of the creditor’s secured claim will
15 be the lesser of value of the creditor’s interest in the Debtors’ interest in the property as determined
16 under § 506, or the allowed amount of the creditor’s claim. Debtors and secured creditor have stipulated
17 to a value of \$74,500.00. The Debtors propose to limit the Class 7 creditor’s secured claim to
18 \$74,500.00 and to treat the balance of its claim, if any, as an unsecured deficiency claim and treat and
19 pay it as a Class 10 unsecured creditor. The Debtor and the Class 7 creditor have agreed as to the
20 amount of the Class 7 creditor’s allowed secured claim.

21 The allowed claim of the Class 7 creditor shall be paid, assuming no 1111(b) election is made
22 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
23 modified as follows:

24 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan
25 at the rate of five percent (5.00 %) per annum, or the rate on the existing note, whichever is less. The
26 Class 7 creditor is not entitled to interest on its allowed secured claim from the Petition date to the
27 Confirmation Date as the current market value of the real property is less than the amount of Colonial’s
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1 claim.

2 2. The note shall be payable in equal monthly installments of principal and interest
3 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
4 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
5 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding
6 principal balance of the note and all accrued and unpaid interest thereon shall be due and payable in full.
7 The final payment shall be made either from proceeds of the sale or refinancing of the property or
8 contributions of the owners of the property at the time the final payment is due. Tax and insurance
9 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

10 3. The note of the Class 7 creditor shall continue to be secured by its first position deed
11 of trust on the property but the note and any obligation due the Class 7 creditor, which is secured by the
12 above deed of trust, shall continue to be non-recourse to the Debtors. Any security for payment of the
13 allowed claim which Colonial had at the petition date other than the deed of trust above described which
14 encumbers the property Colonial shall retain post-confirmation.

15 4. The Debtors and the Class 7 creditor shall agree to execute such modifications to
16 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
17 treatment for this creditor.

18 5. Any difference between current market value and obligation due lender shall be treated
19 as a Class 10 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

20 5.8 Class 8 - Secured Claim of Bank of America ("B of A")

21 A. Classification: This class consists of the allowed secured claim of B of A to the
22 extent of the value of the secured creditor's interest in the Debtors' interest in the real property located
23 at 2531 N. Jeanette Ave., Tucson, AZ 85749. This claim is evidenced by a promissory note and deed
24 of trust. Debtors are aware of a proof of claim filed in this class in the amount of \$317,421.71. The
25 Debtors believe the claim is not fully secured.

26 B. Impairment: Class 8 is impaired.

27 C. Treatment: Debtors and secured creditor have stipulated to a value of
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1 \$299,500.00.

2 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH B OF A AS
3 TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
4 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
5 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
6 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
7 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
8 be the lesser of value of the creditor's interest in the Debtors' interest in the property as determined
9 under § 506, or the allowed amount of the creditor's claim. Debtors and secured creditor have stipulated
10 to a value of \$299,500.00. The Debtors propose to limit the Class 8 creditor's secured claim to
11 \$299,500.00 and to treat the balance of its claim, if any, as an unsecured deficiency claim and treat and
12 pay it as a Class 10 unsecured creditor. The Debtor and the Class 8 creditor have agreed as to the
13 amount of the Class 8 creditor's allowed secured claim.

14 The allowed claim of the Class 8 creditor shall be paid, assuming no 1111(b) election is made
15 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
16 modified as follows:

17 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan
18 at the rate of five percent (5.00 %) per annum, or the rate on the existing note, whichever is less. The
19 Class 8 creditor is not entitled to interest on its allowed secured claim from the Petition date to the
20 Confirmation Date as the current market value of the real property is less than the amount of B of A's
21 claim.

22 2. The note shall be payable in equal monthly installments of principal and interest
23 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
24 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
25 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding
26 principal balance of the note and all accrued and unpaid interest thereon shall be due and payable in full.
27 The final payment shall be made either from proceeds of the sale or refinancing of the property or
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1 contributions of the owners of the property at the time the final payment is due. Tax and insurance
2 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

3 3. The note of the Class 8 creditor shall continue to be secured by its first position deed
4 of trust on the property but the note and any obligation due the Class 8 creditor, which is secured by the
5 above deed of trust, shall continue to be non-recourse to the Debtors. Any security for payment of the
6 allowed claim which B of A had at the petition date other than the deed of trust above described which
7 encumbers the property B of A shall retain post-confirmation.

8 4. The Debtors and the Class 8 creditor shall agree to execute such modifications to
9 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
10 treatment for this creditor.

11 5. Any difference between current market value and obligation due lender shall be treated
12 as a Class 10 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

13 5.9 Class 9 - Secured Claim of Flagstar Bank, FSB ("Flagstar")

14 A. Classification: Class 9 consists of the allowed secured claim of Flagstar to the
15 extent of the value of the secured creditor's interest in the Debtors' interest in the real property located
16 at 5501 E. 8th Street, Tucson, AZ 85756. This claim is evidenced by a promissory note and deed of
17 trust. Debtors are aware of a proof of claim filed in this class in the amount of \$281,706.23. The
18 Debtors believe the claim may not be fully secured.

19 B. Impairment: Class 9 is impaired.

20 C. Treatment: By Order of this Court, the current value of the property is
21 \$200,000.00.

22 IN THE EVENT THE DEBTOR IS ABLE TO REACH A STIPULATION WITH FLAGSTAR
23 AS TO ITS TREATMENT, THE TERMS AND CONDITIONS THEREIN WILL SUPERCEDE THE
24 TREATMENT SET FORTH HEREIN. Under § 506 of the Bankruptcy Code, a secured creditor has a
25 secured claim to the extent of the creditor's interest in the Debtor's interest in the collateral and an
26 unsecured claim for the balance, if any, unless the creditor makes a 1111(b) election, and, if eligible,
27 elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will
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1 be the lesser of value of the creditor's interest in the Debtors' interest in the property as determined
2 under § 506, or the allowed amount of the creditor's claim. By Order of this Court, the current value of
3 the property is \$200,000.00. The Debtors propose to limit the Class 9 creditor's secured claim to
4 \$200,000.00 and to treat the balance of its claim, if any, as an unsecured deficiency claim and treat and
5 pay it as a Class 10 unsecured creditor. If the Debtor and the Class 9 creditor cannot agree as to the
6 amount of the Class 9 creditor's allowed secured claim, the Court may be called upon to make that
7 determination.

8 The allowed claim of the Class 9 creditor shall be paid, assuming no 1111(b) election is made
9 by creditor, and secured by the first lien mortgage evidenced by a promissory note and deed of trust,
10 modified as follows:

11 1. The allowed secured claim shall accrue interest from the Effective Date of the Plan
12 at the rate of 5.125% percent per annum, or the rate on the existing note, whichever is less. The Class
13 9 creditor is not entitled to interest on its allowed secured claim from the Petition date to the
14 Confirmation Date as the current market value of the real property is less than the amount of Flagstar's
15 claim.

16 2. The note shall be payable in equal monthly installments of principal and interest
17 amortized over thirty (30) years. The first monthly installment shall be due thirty (30) days after the
18 Effective Date of the Plan and subsequent monthly installments shall be due on the same day of each
19 subsequent month. On the thirtieth anniversary of the Effective Date of the Plan the outstanding
20 principal balance of the note and all accrued and unpaid interest thereon shall be due and payable in full.
21 The final payment shall be made either from proceeds of the sale or refinancing of the property or
22 contributions of the owners of the property at the time the final payment is due. Tax and insurance
23 escrows, if any, will continue to be paid pursuant to the terms of the Note and Deed of Trust.

24 3. The note of the Class 9 creditor shall continue to be secured by its first position deed
25 of trust on the property but the note and any obligation due the Class 9 creditor, which is secured by the
26 above deed of trust, shall continue to be non-recourse to the Debtors. Any security for payment of the
27 allowed claim which Flagstar had at the petition date other than the deed of trust above described which
28

1 encumbers the property Flagstar shall retain post-confirmation.

2 4. The Debtors and the Class 9 creditor shall agree to execute such modifications to
3 the existing note and deed of trust as are reasonably necessary to reflect the provisions of the Plan
4 treatment for this creditor.

5 5. Any difference between current market value and obligation due lender shall be treated
6 as a Class 10 unsecured claim and will be paid on a *pro-rata* basis from Debtors' disposable income.

7 5.10 Class 10 - Unsecured Deficiency Claims and Unsecured Claims.

8 _____ A. Classification: Class 10 consists of all unsecured deficiency claims and
9 unsecured claims against the debtor. Debtors estimate these claims at approximately \$96,636.83.

10 B. Impairment: Class 10 is impaired.

11 C. Treatment: All allowed and approved claims under this Class shall be paid the
12 sum of \$150.00 on a quarterly basis, *pro rata*, from Debtors' disposable income, to be paid on the last
13 day of each quarter, beginning with the quarter ending after the Effective Date and anticipated to be June
14 30, 2013, and continuing each quarter thereafter for five years. Any liens held by the Class 10 creditors
15 shall be null and void and removed as of the Effective Date.

16 5.11 Class 11 - Contingent, Unliquidated and Disputed Claims.

17 _____ A. Classification: Class 11 consists of all contingent, unliquidated and disputed
18 claims.

19 B. Impairment: Class 11 is impaired.

20 C. Treatment: Class 11 creditors shall receive no distribution under the Plan.

21 5.12 Class 12 - Equity Interest.

22 _____ A. Classification: Class 12 consists of the interests of the Debtors.

23 B. Impairment: Class 12 is not impaired.

24 C. Treatment: Debtors shall retain all of their legal and equitable interest in exempt
25 and non-exempt assets of this estate, as all reconciliation issues have been met. All estate property shall
26 vest in the Debtors at confirmation.

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Debtors reserve the right to verify and object to any proof of claim. Payment of disputed claims shall be made only after agreement has been reached between the Debtors and the Creditor or upon the order of the Court. Any and all objections to proofs of claim will be filed within ninety (90) days of the Effective Date of this plan or will be waived.

6

At the time of the filing, the Debtors had leases with various tenants, Debtors are assuming all existing leases where payments are current.

9

As reflected in the schedules filed by the Debtors, there are no domestic support orders against the Debtors.

12

_____The Debtors will provide for payment of all timely filed and allowed claims over 60 months. The Debtors shall make payments in the sum of \$150.00 per quarter to the Class 10 unsecured creditors, which shall be disbursed as set forth in the Plan. The source of the funds shall come from the Debtors' earned post-petition income and possibly from the refinancing or sale of property of the Debtors. *See 11 U.S.C. §1123(a)(8).*

The 2005 BAPCPA amendments to the Bankruptcy Code added, among other things, section 1129(a)(15). This section requires that upon the objection of an unsecured creditor to the Debtors' plan, the Debtors must either (A) pay the claim in full, or, (B) commit their disposable income to the plan payments for a minimum of 5 years, as determined by §1325(b)(2). Although Debtors believe that projected disposable income is committed to the plan under the current projections, upon an objection to plan confirmation, Debtors will provide a schedule reflecting that projected disposable income has been committed to plan payments.

The Debtor reserves the right to accelerate payment under the Plan from financing obtained from third party financing, although currently Debtor has no plans or ability to do so. Debtor believes that by virtue of Confirmation of the Plan, they will have the ability to pay all allowed and approved claims

1 pursuant to the Plan of Reorganization. The unsecured creditors will be paid a total of \$3,000.00 under
2 the Plan of Reorganization.

3 **X. QUARTERLY FEES AND REPORTS**

4 Debtors shall continue to pay quarterly fees to the U.S. Trustee System until such time as a Final
5 Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding. Debtor shall
6 continue to file monthly operating reports until such time as the Court enters an Order confirming this
7 Chapter 11 Plan of Reorganization and/or the end of the calendar quarter in which the Plan was
8 confirmed. At such time, Debtor shall cease filing monthly operating reports and shall begin filing
9 quarterly post confirmation reports. These quarterly reports shall be filed until such time as a Final
10 Decree has been entered in this matter by the Court, closing this Chapter 11 proceeding.

11 **XI. IMPLEMENTATION AND CONSUMMATION OF PLAN**

12 The terms of the Plan subsequent to confirmation shall bind the Debtors, any entity acquiring
13 property under the Plan, and creditor or claimant, whether or not such creditor or claimant has accepted
14 the Plan. All property of the estate shall vest in the Debtors and shall be free from attachment, levy,
15 garnishment or execution by creditors bound by the Plan.

16 Subsequent to confirmation of the Plan of Reorganization, the Debtors shall continue to engage
17 in their business as presently conducted or in such form or manner as the Debtors may deem advisable.
18 The Plan does not provide for the liquidation of all or substantially all of the property of the estate.
19 Notwithstanding the foregoing, however, the Debtors shall be free to operate in the ordinary course and
20 may without any further order of the Court, convey, sell assign, purchase, or lease any property of or for
21 the benefit of the estate.

22 It shall be the obligation of each creditor participating under the Plan to keep the Debtors advised
23 of its current mailing address. In the event any payments tendered to creditors are mailed, postage
24 prepaid, addressed (1) to the address specified in the Debtors schedules and statement, (2) to the address
25 specified in any proof of claim filed by a creditor or claimant herein, or (3) to the address provided by
26 any such creditor or claimant for purposes of distribution, and if subsequently the Post Office returns
27 such distribution due to lack of insufficiency of address or forwarding address, the Debtors shall retain
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1 such distribution for a period of six (6) months. Thereafter, the distribution shall revert to the Debtor
2 without further Order of the Court and be free and clear of any claim of the named distributee. The
3 Debtors shall thereafter not be required to mail subsequent distributions to any creditor for whom a
4 distribution has been returned by the Post Office. The Debtors reserves the right to modify the Plan in
5 accordance with §1127 of the Bankruptcy Code. The Plan may be modified prior to confirmation
6 provided that the Plan still complies with §1122 and §1123 of the Bankruptcy Code. The Plan may be
7 modified subsequent to confirmation and before substantial consummation of the Plan under such
8 circumstances as may warrant such under §1123 of the Bankruptcy Code. Any holder of a claim or
9 interest that has been previously accepted or rejected under a confirmed Plan, shall be deemed to have
10 accepted or rejected any subsequently modified Plan unless the holder of such claim or interest changes
11 its acceptance or rejection of the Plan within the time fixed by the Court.

12 13 **XII. DEFAULT**

14 _____The Debtors' failure to make any payment due under the Plan within sixty (60) days after demand
15 for payment after its due date shall constitute a default unless the Debtors and the affected creditor agree
16 to delayed payment.

17 Upon default, creditors may pursue any remedy provided by the state or federal law, including
18 foreclosing any security interest, suing on any promissory note issued or continued in effect under the
19 Plan.

20 **XIII. RETENTION OF JURISDICTION**

21 _____The Bankruptcy Court will retain jurisdiction over this case for purposes of determining the
22 allowance of claims or objection to claims. The Court will also retain jurisdiction for purposes of fixing
23 allowances for compensation and/or for purposes of determining the allowability of any other claimed
24 administrative expenses. The Court will also retain jurisdiction for the purpose of establishing bar dates
25 and making a determination with respect to all disputed claims. Finally, the Court shall retain
26 jurisdiction for purposes of determining any dispute arising from the interpretation, implementation or
27 consummation of the Plan and to implement and enforce the provisions of the Plan. Notwithstanding
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1 anything to the contrary contained herein, the Debtors shall not be bound by estoppel, the principles of
2 *res judicata* or collateral estoppel with respect to any term or provision contained herein in the event the
3 Plan is not confirmed.

4 The Court may enter a Final Decree and retain jurisdiction over this case to reopen the case to
5 provide relief including the entering of a Discharge Order.

6 RESPECTFULLY SUBMITTED: February 11, 2013.

7
8 LAW OFFICES OF
ERIC SLOCUM SPARKS, P.C.

9
10 /s/ Sparks AZBAR #11726

Eric Slocum Sparks
Attorney for Debtor

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28